APRIL/MAY 2023

GCM12/DCM12 — ACCOUNTING FOR MANAGERIAL DECISION

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 2 = 20 marks)

Answer ALL questions.

1. State the scope of decision accounting.

2. Give the importance of accounting for decision making.

3. Explain Liquidity Ratios.

4. What is the meaning of Cash Flow Statement?

5. Explain Common Size Statements.

6. What is Zero base budgeting?

7. Determine the amount of variable cost from the following particulars; Sales Rs.1,50,000; Fixed Cost Rs.30,000; Profit Rs.40,000.

8. Explain Contribution.

9. Give the formula for Net Present Value.

10. A project Costs Rs. 1,00,000 and yields an annual cash inflow of Rs.20,000 for 7 years. Calculate Pay Back Method.

SECTION B — (5 × 5 = 25 marks)

Answer ALL questions.

11. (a) Describe the functions of Management accounting.

Or

(b) What are the limitations of management accounting?

12. (a) From the following details determine the value of debtors:

Total Sales Rs. 5,00,000

Cash Sales Rs. 2,00,000

Debtors Velocity 30 days

Bills Receivable Rs.5,000

Or

(b) Prepare a production budget for three months ending March 31,1999 for a factory producing four products, on the basis of the following information:

Type of Product	Estimated Stock on January 1,1999 Units	Estimated Sales during January - March, 1999 Units	Desired Closing Stock March 31,1999 Units
A	2,000	10,000	5 000
B	3,000	15,000	4 000
C	4,000	13,000	3 000
D	5,000	12,000	2.000

19. The sales turnover and profit during two years were as follows:

Year	Sales	Profit
	Rs.	Rs.
1981	1,40,000	15,000
1982	1,60,000	20,000

You are required to calculate: (a) P/V ratio (b) Sales required to earn a profit of Rs. 40,000 (c) Profit when sales are Rs. 1,20,000.

20. Determine the Average Rate of Return from the following data of two machines A and B.

Particulars	M-A	M-B
Original Cost of Machine	60,000	60,000
Net Working Capital	5,000	6,000
Scrap Value	3,000	3,000
Annual Income after taxes:		
YEAR 1	4,000	12,000
YEAR 2	6,000	9,000
YEAR 3	8,000	8,000
YEAR 4	9,000	6,000
YEAR 5	12,000	4,000

17. From the following ratios are related to the trading activities of National Traders Ltd.,

Debtors' velocity 3 months

Stock velocity 8 months

Creditors' velocity 2 months

Gross profit ratio 25 %

Gross profit was Rs.4,00,000. Closing Stock was Rs. 10,000 in excess of opening stock.

Bills receivable amount to Rs.25,000 and Bills payable to Rs.10,000.

Find out: (a) Sales (b) Sundry Debtors (c) Closing Stock and (d) Sundry Creditors.

18. From the following balance sheet of Chandra Ltd, prepare comparative balance sheet as on 31st March 2016 and 31st March 2017.

Particulars	31st March 2016 Rs.	31st March 2017 Rs.
I EQUITY AND LIABILITIES		
Shareholders' fund	1,00,000	2,60,000
Non-current liabilities	50,000	60,000
Current liabilities	25,000	30,000
Total	1,75,000	3,50,000
II ASSETS		
Non-current assets	1,00,000	2,00,000
Current assets	75,000	1,50,000
Total	1,75,000	3,50,000

13. (a) From the following particulars, prepare comparative income statement of Abdul Co. Ltd.

Particulars	2015-16 Rs.	2016-17 Rs.
Revenue from operations	3,00,000	3,60,000
Other income	1,00,000	60,000
Expenses	2,00,000	1,80,000
Income tax	30%	30%

Or

(b) Welprint Ltd. has given you the following information:

Machinery as on April 01, 2016	50,000
Machinery as on March 31, 2017	60,000
Accumulated Depreciation on April 01, 2016	25,000
Accumulated Depreciation on March 31, 2017	15,000

During the year, a Machine costing Rs 25,000 with Accumulated Depreciation of Rs. 15,000 was sold for Rs. 13,000.

Calculate cash flow from Investing Activities on the basis of the above information.

14. (a) From the following information find out the amount of profit earned during the year using the marginal costing technique.

Fixed cost Rs. 2,50,000; Variable cost Rs.10 per unit; Selling price Rs. 15 per unit; Output level 75,000 units

Or

(b) Sales Rs. 1,00,000; Profit Rs. 10,000; Variable cost 70%. Find out (i) P/V ratio, (ii) Fixed Cost (iii) Sales volume to earn a Profit of Rs. 40.000.

15. (a) The cost of a project is Rs.50,000 and it generates cash inflows of Rs.20,000, Rs.15,000, Rs.25,000, and Rs.10,000 over four years. Using the present value index method, appraise the profitability of the proposed investment, assuming a 10% rate of discount.

Or

(b) A limited company is considering investing a project requiring a capital outlay of Rs.2,00.000. Forecast for annual income after depreciation but before tax is as follows:

Year	Rs.
1	1,00,000
2	1,00,000
3	80,000
4	80,000
5	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods:

(i) Pay-back method

(ii) Rate of return of original investment

(iii) Rate of return on average investment

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. Distinguish between cost accounting and management accounting.